

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.06)

Unit Name* SANDUSKY COMMUNITY FIRE DEPARTMENT	County* SANILAC	Type* AUTHORITY	MuniCode* 76-7-509
Opinion Date-Use Calendar* Aug 27, 2008	Audit Submitted-Use Calendar* Aug 29, 2008	Fiscal Year End Month* 02	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	? \$ 261,632.00
General Fund Expenditure:	? \$ 180,531.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$ 372,076.00
Governmental Activities Long-Term Debt (see instructions):	?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* JOSEPH	Last Name* NARTKER	Ten Digit License Number* 1101011752		
CPA Street Address* 47 AUSTIN STREET	City* SANDUSKY	State* MI	Zip Code* 48471	Telephone* +1 (810) 648-4931
CPA Firm Name* BRINING & NARTKER, P.C.	Unit's Street Address* 181 S. ELK STREET	Unit's City* SANDUSKY	Unit's Zip* 48471	

**FINANCIAL REPORT
FEBRUARY 29, 2008**

**SANDUSKY COMMUNITY
FIRE DEPARTMENT ASSOCIATION
SANDUSKY, MICHIGAN**

**Brining & Nartker, P.C.
Certified Public Accountants**

SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
<u>BASIC FINANCIAL STATEMENTS</u>	
Governmental Fund Balance Sheet/ Statement of Net Assets	3
Statement of Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities	4 - 5
Notes to the Financial Statements	6 - 13
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Budgetary Comparison Schedule	14

BRINING & NARTKER, P.C.

Certified Public Accountants

DOUGLAS P. BRINING, CPA
JOSEPH H. NARTKER, CPA

MARK W. BRINING, CPA
SARA J. ESSENMACHER, CPA
JOY A. KERR, CPA
EDWARD J. MOORE, CPA

Members of
Michigan Association of
Certified Public Accountants

American Institute of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Administrative Board of the
Sandusky Community Fire Department Association
161 S. Elk Street
Sandusky, Michigan

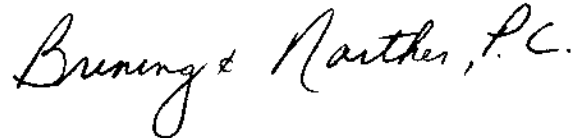
We have audited the accompanying financial statements of the Sandusky Community Fire Department Association, as of February 29, 2008, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sandusky Community Fire Department Association has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

In our opinion, except for the omission of management's discussion and analysis as discussed in the previous paragraph, which results in an incomplete presentation, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Sandusky Community Fire Department Association as of February 29, 2008, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information on page 14 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Brining & Nartker, P.C.".

BRINING & NARTKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 27, 2008

BASIC FINANCIAL STATEMENTS

SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
FEBRUARY 29, 2008

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets - Full Accrual
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 360,543	\$ -	\$ 360,543
Receivable - fire runs (net of allowance of \$12,150)	12,150	-	12,150
Prepaid insurance	2,475	-	2,475
Total Current Assets	<u>375,168</u>	None	<u>375,168</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation)	-	343,239	343,239
TOTAL ASSETS	<u><u>\$ 375,168</u></u>	<u><u>343,239</u></u>	<u><u>718,407</u></u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 3,092	-	3,092
Current maturities of long-term debt	-	58,683	58,683
Total Current Liabilities	<u>3,092</u>	58,683	61,775
Noncurrent Liabilities:			
Noncurrent portion of long-term debt	-	155,510	155,510
TOTAL LIABILITIES	<u><u>3,092</u></u>	<u><u>214,193</u></u>	<u><u>217,285</u></u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved - designated for equipment replacement	146,353	(146,353)	-
Unreserved	225,723	(225,723)	-
TOTAL FUND BALANCE	<u>372,076</u>	<u>(372,076)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 375,168</u></u>		
Net Assets:			
Investment in capital fixed assets, net of related debt		129,046	129,046
Unrestricted		372,076	372,076
TOTAL NET ASSETS		<u><u>\$ 501,122</u></u>	<u><u>\$ 501,122</u></u>

The accompanying notes are an integral part of the financial statements.

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED FEBRUARY 29, 2008**

Total Fund Balance - Modified Accrual Basis \$ 372,076

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in the
governmental fund. Capital assets at year end consist of:

Capital asset cost	\$ 948,568	
Capital asset accumulated depreciation	<u>(605,329)</u>	
		343,239

Long-term liabilities are not due and payable in the current
period and therefore are not reported as liabilities in the
governmental fund. Long-term liabilities at year end
consist of:

Note payable - Chase Equipment Leasing, Inc.	(214,193)
--	-----------

Total Net Assets - Full Accrual Basis \$ 501,122

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
STATEMENT OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
REVENUES:			
Local contributions:			
Contribution from City of Sandusky	\$ 79,837	\$ -	\$ 79,837
Contribution from Watertown Township	43,352	-	43,352
Contribution from Custer Township	21,093	-	21,093
Contribution from Elmer Township	13,931	-	13,931
Fire Runs	63,000	-	63,000
Interest	14,262	-	14,262
Miscellaneous	157	-	157
Sale of fixed assets	25,000	-	25,000
Donations	1,000	-	1,000
TOTAL REVENUES	<u>261,632</u>	<u>-</u>	<u>261,632</u>
EXPENDITURES/EXPENSES:			
Fire Protection:			
Payroll	28,615	-	28,615
Social security taxes	2,189	-	2,189
Operating supplies	5,860	-	5,860
Safety gear	3,432	-	3,432
Telephone	1,106	-	1,106
Gas and Oil	2,370	-	2,370
Insurance	11,864	-	11,864
Electricity	3,168	-	3,168
Heating	3,508	-	3,508
Rent	14,828	-	14,828
Sewer and water charges	1,717	-	1,717
Maintenance - building	6,125	-	6,125
Maintenance - vehicle	6,132	-	6,132
Education and training	409	-	409
Membership dues	585	-	585
Professional fees	2,594	-	2,594
Bad debts - fire runs	10,977	-	10,977
Miscellaneous	1,278	-	1,278
Fire extinguishers	779	-	779
Information technology	1,847	-	1,847
Workers compensation insurance	2,848	-	2,848

(Continued)

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
STATEMENT OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES: (Continued)			
Fire Protection: (Continued)			
Depreciation	\$ -	\$ 66,327	\$ 66,327
Debt service:			
Principal payment	56,161	(56,161)	-
Interest payment	12,139	-	12,139
TOTAL EXPENDITURES	<u>180,531</u>	<u>10,166</u>	<u>190,697</u>
NET CHANGE IN FUND BALANCE/NET ASSETS	81,101	(10,166)	70,935
FUND BALANCE/NET ASSETS - BEGINNING OF YEAR	290,975	139,212	430,187
FUND BALANCE/NET ASSETS - END OF YEAR	<u>\$ 372,076</u>	<u>\$ 129,046</u>	<u>\$ 501,122</u>

The accompanying notes are an integral part of the financial statements.

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008**

Net change in fund balance	\$ 81,101
-----------------------------------	------------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. In the current period, these amounts are:

Capital outlay	-
Depreciation	(66,327)

Repayment of notes payable is an expenditure in governmental funds, but reduces the long-term liabilities in the statement of net assets.

Repayments of long-term debt	56,161
------------------------------	--------

Change in net assets of governmental activities	<u>\$ 70,935</u>
--	-------------------------

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Sandusky Community Fire Department Association conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Sandusky Community Fire Department Association.

Description of Association Operations

The Sandusky Community Fire Department Association was created on March 1, 2001, by the City of Sandusky and the Townships of Custer, Elmer and Watertown. All of the governmental entities are located in Sanilac County, Michigan. The department operates under a joint nine (9) member board consisting of two (2) representatives from each of the entities and one (1) member elected at large by the board, for the purpose of providing total fire protection to the City of Sandusky, all of Watertown Township, twenty-four (24) square miles of Custer Township, and sixteen (16) square miles of Elmer Township. The Association was established under Public Act 22, commonly known as the Fire Protection Act, which provides that adjoining cities with a population of not more than 15,000 and townships acting jointly may establish, fund, maintain and regulate a fire department for the benefit of the residents thereof.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB 39, the definition of the reporting entity is based primarily on the premise of financial accountability. The Association is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

Based on these provisions, there are no organizations that are deemed to be component units of the Association.

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Association. For the most part, the effect of the Interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

(Continued)

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements: (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (i.e., statement of net assets and statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Association are considered to be cash equivalents.

Investments

Investments with an initial maturity of more than three months are reported as investments.

Accounting Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

(Continued)

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements. Capital assets are defined by the Association as assets with an initial individual cost of \$10,000 or more, and an estimated life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method using the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Equipment	5-10 years
Fire Trucks	10 years

Compensated Absences

The Association does not have any vacation, sick time or other benefits, which meet the requirements for recording compensated absences. Accordingly, no liability has been recorded for compensated absences.

NOTE 2 – BUDGET INFORMATION

Public Act 621 of 1978, Section 18(1), as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. Sandusky Community Fire Department Association's actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budget of Sandusky Community Fire Department Association was adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

For the year ending February 29, 2008, total actual expenditures exceeded budgeted amounts as follows:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Total Expenditures	<u>\$ 143,204</u>	<u>\$ 180,531</u>	<u>\$ (37,327)</u>

All annual appropriations lapse at year-end. The General Fund does not utilize encumbrance accounting.

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

NOTE 3 – FIRE PROTECTION AGREEMENT

Effective March 1, 2001, the City of Sandusky and the Townships of Custer, Elmer and Watertown, entered into an agreement to create the Sandusky Community Fire Department Association for the purpose of providing fire protection services. The Fire Department operates under a nine (9) member board composed of City and Township representatives who have the power to purchase, maintain and operate the department as they see necessary. Under the agreement, each municipality shall pay its proportional share of the operating expenses, a retainer, and a sinking fund contribution according to a formula agreed upon by the Board. Consequently, the Association's ability to provide services is dependent upon the continued support of these four units of government.

NOTE 4 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Association has designated one bank for the deposit of its funds. The Association's deposits and investment policies are in accordance with statutory authority.

The Association's cash and investments are subject to custodial credit risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The Association does not have a deposit policy for custodial credit risk. At February 29, 2008, the Association had \$258,343 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Association believes that due to the dollar amounts of cash deposits and limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Association evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

NOTE 5 – RECEIVABLES – FIRE RUNS

Receivables, as of year end, consist of unpaid fire runs incurred by property owners during the past year in the amount of \$24,300 allowance equal to 100% of the accounts turned over to the collections agency has been established.

**NOTE 6 – UNRESERVED FUND BALANCE – DESIGNATED FOR EQUIPMENT
REPLACEMENT**

The original capital contributions received in cash by the Association from the constituent units and interest earned on these contributions was restricted for the purchase of vehicles and fire fighting equipment and apparatus. The constituent units also make annual contributions to the sinking fund based upon budgeted amounts. The annual payment for the 2006 Tanker is taken from this fund. The balances in the restricted savings account at February 29, 2008 and February 28, 2007 was \$146,353 and \$99,440, respectively. Details of the changes in restricted cash for the year ended February 29, 2008 are as follows:

Beginning Balance		\$ 99,440
Additions:		
Fire Extinguishers	\$ 108	
Donations	1,000	
Fire runs	44,605	
Sale of 1988 GMC Pumper	25,000	
Transfer from checking - 2/28/08	20,000	
Transfer from checking - 2/28/07	20,000	
Interest earned	<u>4,512</u>	
		115,225
Subtractions:		
Truck payment - 2006 Tanker	34,150	
Truck payment - 2006 Tanker	34,150	
Bank fees	<u>12</u>	
		(68,312)
Ending Balance		<u><u>\$ 146,353</u></u>

SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the year ended February 29, 2008 was as follows:

	BALANCE MARCH 1, 2007	INCREASES	DECREASES	BALANCE FEBRUARY 29, 2008
Capital Assets Being Depreciated				
Fire vehicles	\$ 948,568	\$ -	(88,000)	\$ 860,568
Less Accumulated Depreciation for				
Fire vehicles	(539,002)	(66,327)	88,000	(517,329)
Governmental Activity Net Capital Assets Being Depreciated	<u>\$ 409,566</u>	<u>\$ (66,327)</u>	<u>\$ None</u>	<u>\$ 343,239</u>

NOTE 8 – LONG-TERM DEBT

Changes in long-term debt for the year ended February 29, 2008 were as follows:

	BALANCE MARCH 1, 2007	ADDITIONS	PAYMENTS	BALANCE FEBRUARY 29, 2008
Notes payable:				
Chase Equipment Leasing, Inc. 2006 tanker	\$ 270,354	\$ -	\$ 56,161	\$ 214,193
Totals	<u>\$ 270,354</u>	<u>\$ None</u>	<u>\$ 56,161</u>	<u>\$ 214,193</u>

(Continued)

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

NOTE 8 – LONG-TERM DEBT: (Continued)

The annual requirements to amortize long-term debt outstanding at February 29, 2008, including interest at 4.49% are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 58,683	\$ 9,617	\$ 68,300
2010	27,168	6,982	34,150
2011	28,388	5,762	34,150
2012	29,662	4,488	34,150
2013	30,994	3,156	34,150
2014	32,386	1,764	34,150
2015	6,912	310	7,222
	<u>\$ 214,193</u>	<u>\$ 32,079</u>	<u>\$ 246,272</u>

NOTE 9 – LEASE AGREEMENT

Sandusky Community Fire Department Association leases the fire hall and adjacent parking lot located at 161 S. Elk Street, Sandusky for use in the on-going operation of the Association. The lease is classified as an operating lease. Terms of the lease agreements are as follows:

<u>LEASE</u>	<u>DATE OF ORIGINAL LEASE</u>	<u>INITIAL NON-CANCELABLE OPERATING LEASE COMMITMENT</u>	<u>BALANCE AT 2/29/08 NON-CANCELABLE OPERATING LEASE COMMITMENT</u>
Fire Hall & Adjacent Parking Lot	March 1, 2005	\$ 69,140	\$ 29,656

Total rent expense for the years ending February 29, 2008 and February 28, 2007, was \$14,828 and \$11,833, respectively. The rent expense for the year ending February 29, 2009 will be \$1,236 a month. Future rental payments may change annually as a result of including a percentage of the annual insurer established replacement value, 2001 roof repair costs, annual insurance costs on the structures, plus an annual sinking fund commitment.

(Continued)

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

NOTE 9 – LEASE AGREEMENT: (Continued)

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of February 29, 2008.

<u>YEAR ENDING</u>	<u>AMOUNT</u>
February 28, 2009	\$ 14,828
February 28, 2010	14,828
Total Scheduled Maturities	<u>\$ 29,656</u>

NOTE 10 – RELATED PARTY TRANSACTIONS

The Association rents the fire hall and adjacent parking lot located at 161 S. Elk Street, Sandusky, on a yearly basis from the City of Sandusky. The City of Sandusky is a member of the Association. The annual rental expense for the years ending February 29, 2008 and February 28, 2007 was \$14,828 and \$11,833, respectively. The annual rental expense for the year ending February 29, 2008 was \$14,828.

NOTE 11 - RISK MANAGEMENT

The Sandusky Community Fire Department Association is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association, together with other municipalities, is a member of the Michigan Municipal Risk Management Authority (MMRMA). A public entity risk pool currently operating as a common risk management and insurance program which charges an annual premium to its members for insurance coverage. The pool is self-sustaining through member premiums and provides reinsurance through commercial companies for claims. The MMRMA provides general liability, property, crime and fleet coverage to the Association.

The Association does not provide employee health or life insurance coverage. The Association does provide workers compensation insurance coverage.

NOTE 12 – ECONOMIC DEPENDENCY

Revenue appropriations from the City of Sandusky, and the Townships of Watertown, Custer, and Elmer during the year ended February 29, 2008, represented approximately 65% of the District's total revenue. The revenue amounts of each governmental unit are determined on a proportional basis with the City of Sandusky contributing 50%, the Township of Watertown contributing 28%, the Township of Custer contributing 13%, and the Township of Elmer contributing 9% of the appropriated revenue.

SUPPLEMENTAL INFORMATION

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:				
Contribution from City of Sandusky	\$ 79,837	\$ 79,837	\$ 79,837	\$ -
Contribution from Watertown Twp.	43,352	43,352	43,352	-
Contribution from Custer Twp.	21,093	21,093	21,093	-
Contribution from Elmer Twp.	13,931	13,931	13,931	-
Fire Runs	30,000	30,000	63,000	33,000
Interest	-	-	14,262	14,262
Miscellaneous	-	-	157	157
Sale of fixed assets	-	-	25,000	25,000
Donations	-	-	1,000	1,000
TOTAL REVENUES	<u>188,213</u>	<u>188,213</u>	<u>261,632</u>	<u>73,419</u>
EXPENDITURES:				
Payroll	27,500	26,426	28,615	(2,189)
Social security taxes	2,100	9,370	2,189	7,181
Operating supplies	5,000	6,500	5,860	640
Safety gear	4,500	3,500	3,432	68
Telephone	1,400	1,200	1,106	94
Gas and oil	2,500	2,500	2,370	130
Insurance	13,250	12,912	11,864	1,048
Electricity	3,000	3,157	3,168	(11)
Heating	4,224	3,350	3,508	(158)
Rent	14,829	14,828	14,828	-
Sewer and water charges	1,300	1,716	1,717	(1)
Maintenace - building	2,000	5,400	6,125	(725)
Maintenance - vehicle	10,000	6,200	6,132	68
Education and training	2,500	450	409	41
Membership dues	750	650	585	65
Miscellaneous	1,010	1,195	1,278	(83)
Capital outlay - equipment	2,000	2,000	-	2,000
Debt - principal and interest	34,150	34,150	68,300	(34,150)
Professional services - financial	2,500	2,600	2,594	6
Professional services - legal	250	-	-	-
Bad debts - fire runs	-	-	10,977	(10,977)
Info technology	1,500	1,800	1,847	(47)
Workers compensation	1,800	2,400	2,848	(448)
Fire extenguishers	150	900	779	121
TOTAL EXPENDITURES	<u>138,213</u>	<u>143,204</u>	<u>180,531</u>	<u>(37,327)</u>
NET CHANGE IN FUND BALANCE	50,000	45,009	81,101	36,092
FUND BALANCE - BEGINNING OF YEAR	290,975	290,975	290,975	-
FUND BALANCE - END OF YEAR	<u>\$ 340,975</u>	<u>\$ 335,984</u>	<u>\$ 372,076</u>	<u>\$ 36,092</u>

BRINING & NARTKER, P.C.

Certified Public Accountants

DOUGLAS P. BRINING, CPA
JOSEPH H. NARTKER, CPA

MARK W. BRINING, CPA
SARA J. ESSENMACHER, CPA
JOY A. KERR, CPA
EDWARD J. MOORE, CPA

Members of
Michigan Association of
Certified Public Accountants
American Institute of
Certified Public Accountants

August 27, 2008

Sandusky Community Fire Department Board
Sandusky Community Fire Department Association
Sandusky, MI 48471

The following comments relate to situations brought to our attention during the course of our recent audit of the financial statements of the Sandusky Community Fire Department Association for the year ended February 29, 2008, and are submitted for your evaluation and consideration. We would like to emphasize that, since our audit was conducted for the purpose of expressing an opinion on the aforementioned financial statements, these comments are not necessarily all inclusive.

Budget

Public Act 621 of 1978, Section 18(1), as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. For the year ending February 29, 2008, total actual expenditures exceeded budgeted amounts. The Association failed to appropriate the following key elements in its budget:

	<u>Actual Income/Expenditure</u>
1. sale of 1998 GMC pumper	\$ 25,000
2. interest earned	\$ 14,261
3. payment – second payment	\$ 34,150

We recommend that the board review the current year's budget to include all estimated revenues and expenditures for the current fiscal year.

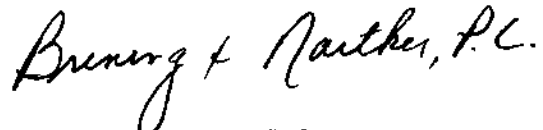
Investment Policy

All local governmental units are required by MCL 129.91, to adopt an investment policy that addresses investment objectives, scope, diversity, delegation of authority, allowable instruments, safekeeping and custody, and prudence. This policy must be sent to each financial institution accepting deposits or investments, and they should acknowledge receipt of same.

We recommend that the Association adopt an investment policy regarding the investment of its surplus funds.

Sandusky Community Fire Department Board
Page two
August 27, 2008

We wish to take this opportunity to thank the officials with whom we have worked for the cooperation we received throughout our audit. As always, our firm will be happy to assist in implementing any recommendations approved by the Board.

A handwritten signature in black ink that reads "Brining & Nartker, P.C." in a cursive, flowing script.

Brining & Nartker, P.C.
Certified Public Accountants

BRINING & NARTKER, P.C.

Certified Public Accountants

DOUGLAS P. BRINING, CPA
JOSEPH H. NARTKER, CPA

MARK W. BRINING, CPA
SARA J. ESSENMACHER, CPA
JOY A. KERR, CPA
EDWARD J. MOORE, CPA

Members of
Michigan Association of
Certified Public Accountants

American Institute of
Certified Public Accountants

August 27, 2008

Sandusky Community Fire Department Association
161 S. Elk Street
Sandusky, Michigan 48471

To Members of the Board:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Sandusky Community Fire Department Association for the year ended February 29, 2008, and have issued our report thereon dated August 27, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated July 30, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 30, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Sandusky Community Fire Department Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending February 29, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 27, 2008.

Management Consultations with other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

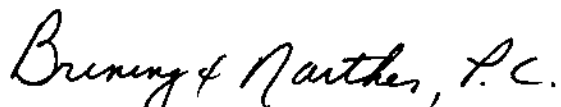
Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Members of the Board
August 27, 2008
Page three

This information is intended solely for the use of the Members of the Board and management of the Sandusky Community Fire Department Association and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Brining & Nartker, P.C.".

Brining & Nartker, P.C.
Certified Public Accountants

BRINING & NARTKER, P.C.

Certified Public Accountants

DOUGLAS P. BRINING, CPA
JOSEPH H. NARTKER, CPA

MARK W. BRINING, CPA
SARA J. ESSENMACHER, CPA
JOY A. KERR, CPA
EDWARD J. MOORE, CPA

Members of
Michigan Association of
Certified Public Accountants

American Institute of
Certified Public Accountants

Board of Trustees Sandusky Community Fire Department Association Sandusky, Michigan

In planning and performing our audit of the financial statements of the Sandusky Community Fire Department Association as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Sandusky Community Fire Department Association internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the association's internal control. We consider the following deficiency to be a significant deficiency in internal control.

The Association's staff has the ability to record transactions, perform reconciliations, and maintain the general ledger. Generally accepted accounting principles also requires that the Association prepare financial statements including the related notes to the financial statements. As is the case with many small governments, the Association has relied on its independent external auditors to assist in the preparation of the financial statements and notes thereto as part of its external financial reporting process. External auditors cannot, by definition, be considered part of the Association internal controls over financial reporting. The Association has decided that it is more cost effective and in the best interest of the Association to outsource this task to its external auditors and to carefully review the financial statements and notes thereto prior to approving them and accepting responsibility for their content and presentation.

Board of Trustees
August 27, 2008
Page two

This communication is intended solely for the information and use of management, the Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brining & Nartker, P.C." in a cursive, flowing script.

Brining & Nartker, P.C.
Certified Public Accountants

August 27, 2008